

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Competitive Product Prices
Priority Mail Contract 64 (MC2013-62)
Negotiated Service Agreement

Docket No. CP2013-82

PUBLIC REPRESENTATIVE COMMENTS ON
POSTAL SERVICE NOTICE OF AMENDMENT
TO PRIORITY MAIL CONTRACT 64

(April 30, 2015)

The Public Representative hereby provides comments pursuant to Order No. 2457.¹ In that Order, the Commission established the above referenced docket to receive comments from interested persons, including the undersigned Public Representative, on a Postal Service Notice of an amendment to Priority Mail Contract 64.² Attachment A to the Notice consists of a redacted version of the amendment to Contract 64. An unredacted version of the amendment is filed underseal.

In Order No. 1848, the Commission approved the Postal Service's request to add a new product identified as Priority Mail Contract 64 to the Competitive product list.³ Contract 64 became effective on October 18, 2013, one business day after the Commission issued Order No. 1848, and has a term of 3 years.⁴ On December 24, 2014, the Postal Service filed notice of an amendment to Contract 64.⁵ In Order No.

¹ Order No. 2457, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, April 23, 2015.

² Notice of United States Postal Service of Amendment to Priority Mail Contract 64, with Portions Filed Under Seal, April 22, 2015 (Notice).

³ See Order No. 1848, Order Adding Priority Mail Contract 64 to the Competitive Product List, Docket Nos. MC2013-62/CP2013-82, October 17, 2013.

⁴ Docket Nos. MC2013-62/CP2013-82, Request of the United States Postal Service to Add Priority Mail Contract 64 to Competitive Product List and Notice of Filing (Under Seal) of Unredacted Governors' Decision, Contract, and Supporting Data, September 20, 2013, Attachment B at 3; .

⁵ Docket Nos. MC2013-62/CP2013-82, Notice of United States Postal Service of Amendment to Priority Mail Contract 64, with Portions Filed Under Seal, December 24, 2014. This amendment will be identified as Amendment 1.

2316, the Commission approved Amendment 1 to Contract 64.⁶ Amendment 1 revised Paragraph I.G. to add new tier levels and prices.

The Amendment that is the subject of this proceeding revises Paragraph I.G., as amended, to state that on the effective date of the Amendment, the customer will receive Tier 4 pricing until the next anniversary of the effective date of Contract 64. The Postal Service also states that the Amendment will take effect one business day following the day on which Commission completes its regulatory review of this filing. Notice at 1.

The Postal Service asserts that the Amendment will not materially affect the cost coverage of Contract 64. *Id.* The Postal Service adds that as a result, the supporting financial documentation and financial certification previously filed in Docket Nos. MC2013-62/CP2013-83 on December 24, 2014, remain applicable. *Id.*

COMMENTS

The Public Representative has reviewed Priority Mail Contract 64 and the Postal Service's Amendment thereto. Based upon that review, the Public Representative recommends Commission approval of the Amendment to Contract 64.

The Postal Service's assessment that the Amendment will not materially affect the cost coverage of Contract 64 is not unreasonable. As filed, the Amendment provides the customer with Tier 4 pricing during the remainder of the second year of the contract, until October 18, 2015, a period of approximately 5 and one-half months. The Public Representative therefore believes that these changes are not likely to have a material effect on cost coverage of Contract 64. This belief is supported by the fact that Contract 64 covered costs in FY 2014.

However, the Public Representative notes that prices for Contract 64 are linked to the prices of general applicability for Priority Mail Commercial Plus. If the Postal Service does not seek a price adjustment, or proposes a decrease in generally

⁶ See Order No. 2316, Order Approving Amendment to Priority Mail Negotiated Service Agreement, Docket No. CP2013-82, January 6, 2014.

applicable prices for Commercial Plus, the cost coverage for Contract 64 would decline—assuming contract costs rise during the remainder of the second year and the third year of the contract.

This concern is mitigated somewhat by the fact that the Postal Service must file revenue and cost data for Contract 64 in future Annual Compliance Reports. This data will permit the Commission to annually review the financial results for Contract 64 in future Annual Compliance Determination (ACD) reports for compliance with 39 U.S.C. § 3633(a).

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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